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**VERMILION ASSOCIATION FOR RETARDED  
CITIZENS, INC.**  
Erath, Louisiana

**Financial Report**

**Years Ended June 30, 2006 and 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-10-07

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# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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Mandy B. Self, CPA  
Chris E. Bilski, CPA

## INDEPENDENT AUDITORS' REPORT

Retired:  
Conrad O. Chapman, CPA\* 2006

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\* A Professional Accounting Corporation

To the Board of Directors  
Vermilion Association for Retarded Citizens, Inc.  
Erath, Louisiana

We have audited the accompanying statements of financial position of the Vermilion Association for Retarded Citizens, Inc., (a nonprofit organization) as of June 30, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Vermilion Association for Retarded Citizens, Inc., as of June 30, 2006 and 2005, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2006, on our consideration of the organization's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

**Kolder, Champagne, Slaven & Company, LLC**  
Certified Public Accountants

Abbeville, Louisiana  
November 17, 2006

Member of:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Member of:  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## **FINANCIAL STATEMENTS**

VERMILION ASSOCIATION FOR RETARDED CITIZENS, INC.  
Erath, Louisiana

Statements of Financial Position  
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 241,474	\$ 389,434
Accounts receivable	22,829	24,754
Accrued interest receivable	<u>285</u>	<u>285</u>
Total current assets	<u>264,588</u>	<u>414,473</u>
Property and equipment:		
Buildings and equipment	190,959	123,297
Automobiles	123,417	106,437
Construction in progress	-	46,906
Accumulated depreciation	<u>(123,361)</u>	<u>(165,789)</u>
Total net property and equipment	<u>191,015</u>	<u>110,851</u>
Total assets	<u>\$ 455,603</u>	<u>\$ 525,324</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 5,418	\$ 12,377
Accrued payroll taxes	1,783	1,007
Line of credit	<u>23,952</u>	<u>-</u>
Total current liabilities	<u>31,153</u>	<u>13,384</u>
Net assets:		
Unrestricted net assets	<u>424,450</u>	<u>511,940</u>
Total liabilities and net assets	<u>\$ 455,603</u>	<u>\$ 525,324</u>

The accompanying notes are an integral part of this statement.

VERMILION ASSOCIATION FOR RETARDED CITIZENS, INC.  
Erath, Louisiana

Statements of Activities  
For The Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating revenue:		
OCDD reimbursement	\$ 105,637	\$ 110,592
Day program reimbursement	133,149	151,325
Store sales	47,129	41,835
Donations	36,284	11,140
Maintenance contracts	15,706	27,291
Other income	7,600	19,631
Total operating revenue	<u>345,505</u>	<u>361,814</u>
Operating expenses:		
Program services	85,779	103,127
Management and general	<u>402,883</u>	<u>244,666</u>
Total operating expenses	<u>488,662</u>	<u>347,793</u>
Nonoperating revenue		
Gain on disposal of assets	<u>55,667</u>	<u>-</u>
Change in net assets	(87,490)	14,021
Net assets, beginning of year	<u>511,940</u>	<u>497,919</u>
Net assets, end of year	<u>\$ 424,450</u>	<u>\$ 511,940</u>

The accompanying notes are an integral part of this statement.

VERMILION ASSOCIATION FOR RETARDED CITIZENS, INC.  
Erath, Louisiana

Statement of Functional Expenses  
For The Year Ended June 30, 2006  
With Comparative Totals For The Year Ended June 30, 2005

			Totals	
	Program Services	Management and General	2006	2005
Auto expense	\$ 31,681	\$ -	\$ 31,681	\$ 36,780
Conventions	-	1,222	1,222	533
Dues	-	2,809	2,809	3,883
Employee benefits	-	2,497	2,497	2,229
Interest expense	-	319	319	-
Liability insurance	-	23,648	23,648	19,903
Medical insurance	-	11,659	11,659	7,497
Miscellaneous	280	15,555	15,835	4,155
Office supplies	-	20,337	20,337	9,539
Payroll taxes	2,276	13,988	16,264	15,415
Professional fees	-	3,980	3,980	3,570
Rent	9,600	-	9,600	10,077
Repairs and maintenance	-	86,441	86,441	795
Salaries	32,226	191,806	224,032	200,756
Store expenses	3,422	-	3,422	2,764
Supplies	945	-	945	1,235
Telephone	569	6,168	6,737	4,679
Training in-service	2,478	-	2,478	2,103
Utilities	2,302	4,532	6,834	6,241
Total expenses before depreciation	85,779	384,961	470,740	332,154
Depreciation expense	-	17,922	17,922	15,639
Total expenses	<u>\$ 85,779</u>	<u>\$ 402,883</u>	<u>\$ 488,662</u>	<u>\$ 347,793</u>

The accompanying notes are an integral part of this statement.

VERMILION ASSOCIATION FOR RETARDED CITIZENS, INC.  
Erath, Louisiana

Statements of Cash Flows  
For The Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows (used) provided by operating activities		
Change in net assets	\$ (87,490)	\$ 14,021
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	17,922	15,639
Gain on disposal of assets	(55,667)	-
Decrease (increase) in accounts receivable	1,925	(2,469)
(Decrease) increase in accounts payable	(6,959)	8,249
Increase in accrued payroll taxes	776	328
Total adjustments	<u>(42,003)</u>	<u>21,747</u>
Net cash (used) provided by operating activities	<u>(129,493)</u>	<u>35,768</u>
Cash flows from investing activities		
Payment for property and equipment	<u>(42,419)</u>	<u>(46,906)</u>
Cash flows from financing activities		
Proceeds from line of credit	<u>23,952</u>	<u>-</u>
Net decrease in cash	(147,960)	(11,138)
Cash and cash equivalents, beginning of period	<u>389,434</u>	<u>400,572</u>
Cash and cash equivalents, end of period	<u>\$ 241,474</u>	<u>\$ 389,434</u>

The accompanying notes are an integral part of this statement.



VERMILION ASSOCIATION FOR RETARDED CITIZENS, INC.  
Erath, Louisiana

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Activities

The Vermilion Association for Retarded Citizens, Inc., is a non-profit organization exempt from income tax under section 501(c)(3) of the Internal Revenue Code. The corporation was created to promote and advance charitable, educational, and scientific purposes and to provide for the general welfare of persons who are retarded citizens of the Parish of Vermilion and surrounding areas.

The board of directors of the corporation is elected by the members of the corporation, serve variable terms, and receive no compensation.

B. Financial Statement Presentation

The Vermilion Association for Retarded Citizens, Inc. has adopted the provisions of Statements of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations". Statement No. 117 requires the Vermilion Association for Retarded Citizens, Inc. to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The financial statements of the corporation are presented on the accrual basis of accounting.

D. Income Taxes

Income taxes are not provided for in the financial statements since the organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions. The organization is not classified as a private foundation.

E. Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on a straight-line basis over the applicable recovery periods which range from 5 to 31.5 years.

VERMILION ASSOCIATION FOR RETARDED CITIZENS, INC.  
Erath, Louisiana

Notes to Financial Statements (Continued)

F. Compensated Absences

Vacation and sick leave are recorded as expenditures of the period in which paid and can be carried over from year to year, not to exceed thirty days. Any liability the Vermilion Association for Retarded Citizens, Inc. might have in this regard at June 30, 2006 and 2005 is considered immaterial; therefore, no liability has been recorded in the accounts.

G. Statement of Cash Flows

The Vermilion Association for Retarded Citizens, Inc. considers all highly liquid investments with maturity of three months or less at the date of acquisition to be cash equivalents.

H. Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position, results of operations and changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Property and Equipment

Property and equipment consisted of the following at June 30, 2006 and 2005:

	2006	2005
Buildings and Equipment	\$190,959	\$123,297
Automobiles	123,417	106,437
Construction in progress	-	46,906
Total	314,376	276,640
Less: Accumulated depreciation	<u>(123,361)</u>	<u>(165,789)</u>
Net property and equipment	<u>\$191,015</u>	<u>\$110,851</u>

Depreciation expense totaled \$17,922 at June 30, 2006, and \$15,639 at June 30, 2005.

VERMILION ASSOCIATION FOR RETARDED CITIZENS, INC.  
Erath, Louisiana

Notes to Financial Statements (Continued)

(3) Line of Credit

Vermilion Association for Retarded Citizens, Inc. has an open line of credit with Gulf Coast Bank. Under the terms of the agreements with Gulf Coast Bank the balances drawn from the lines of credit are collateralized by the assignment of deposit accounts.

	Gulf Coast Bank	Totals	
		2006	2005
Open Line of Credit	\$ 100,015	\$ 100,015	\$ -
Amount Drawn	<u>23,952</u>	<u>23,952</u>	<u>-</u>
Remaining Balance	<u>\$ 76,063</u>	<u>\$ 76,063</u>	<u>\$ -</u>

(4) Related Party Transactions

Vermilion Association for Retarded Citizens, Inc. paid \$8,486 and \$12,298 for June 30, 2006 and 2005, respectively, in construction and repair costs to a company that is owned in part by the family of a board member of Vermilion Association for Retarded Citizens, Inc.

(5) Social Security System

Employees of Vermilion Association for Retarded Citizens, Inc. are members of the Social Security System. The organization and its employees contribute a percentage of each employee's salary to the System (7.65 percent each). The organization's contribution was \$15,829 and \$15,262 during the years ended June 30, 2006 and 2005, respectively.

(6) Litigation

There is no litigation pending against the Vermilion Association for Retarded Citizens, Inc. at June 30, 2006 or 2005.

(7) Employee Benefit Plan

The Vermilion Association of Retarded Citizens, Inc. has a defined contribution retirement plan which allows an employee that has completed one year of service and has attained age 21 to participate in the plan. The employee is allowed to contribute up to 10% of their salary and the Association contributes up to 2% of the eligible employee's salary. An employee is considered vested once they have five years of service with the Association. The amount of pension expense incurred was \$2,497 and \$2,229 for the years 2006 and 2005, respectively.

## **SUPPLEMENTARY INFORMATION**

**INTERNAL CONTROL,  
COMPLIANCE,  
AND  
OTHER MATTERS**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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Chris E. Bilski, CPA

Retired:  
Conrad O. Chapman, CPA\* 2006

\* A Professional Accounting Corporation

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
The Vermilion Association for Retarded Citizens, Inc.  
Erath, Louisiana

We have audited the financial statements of the Vermilion Association for Retarded Citizens, Inc. (a nonprofit organization), as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated November 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Vermilion Association for Retarded Citizens, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Vermilion Association for Retarded Citizens, Inc.'s ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 06-1(IC).

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vermilion Association for Retarded Citizens, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Abbeville, Louisiana  
November 17, 2006

VERMILION ASSOCIATION FOR RETARDED CITIZENS, INC.

Summary Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan  
Year Ended June 30, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
<u>Current Year:</u>						
<u>Internal Control:</u>						
06-1(IC)	Unknown	Due to the small number of employees, the organization did not have adequate segregation of functions within the accounting system.	No	Based upon the size of the operation and the cost benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	Scottie Daigle Director	N/A
<u>Management Letter:</u>						
06-2(ML)	2006	Vermilion Association for Retarded Citizens, Inc should attempt to obtain quotes on all contracts, and obtain a written contract agreement that states the total contract costs or total hours needed to complete the project.	No	Vermilion Association for Retarded Citizens, Inc. will obtain quotes for all contracts and will enter into a written agreement with the contractor that specifies total costs or total hours needed to complete the project.	Scottie Daigle Director	6/30/2007
<u>Prior Year:</u>						
05-1(IC)	Unknown	Due to the small number of employees, the organization did not have adequate segregation of functions within the accounting system.	No	Based upon the size of the operation and the cost benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	Scottie Daigle Director	N/A